

ADMINISTRATIVE RULES FISCAL ESTIMATE AND ECONOMIC IMPACT ANALYSIS

Type of Estimate and Analysis

☒ Original ☐ Updated ☐ Corrected

Administrative Rule Chapter, Title and Number

ETF 20.35 Qualified domestic relations orders; division of WRS accounts and annuities.

Subject

Qualified domestic relations orders

Fund Sources Affected

Chapter 20 , Stats. Appropriations Affected

☐ GPR ☐ FED ☐ PRO ☐ PRS ☐ SEG SEG-S

Fiscal Effect of Implementing the Rule

☒ No Fiscal Effect

☐ Indeterminate

☐ Increase Existing Revenues

☐ Decrease Existing Revenues

☐ Increase Costs

☐ Could Absorb Within Agency's Budget

☐ Decrease Costs

The Rule Will Impact the Following (Check All That Apply)

☐ State's Economy

☐ Local Government Units

☐ Specific Businesses/Sectors

☐ Public Utility Rate Payers

Would Implementation and Compliance Costs Be Greater Than \$20 million?

☐ Yes ☒ No

Policy Problem Addressed by the Rule

This rule-making is needed to amend the existing qualified domestic relations order (QDRO) rule to incorporate language for QDROs from domestic partnerships, to address tax concerns under IRC S. 415 (b), and to clarify and provide ETF with more flexibility in handling QDROs.

Summary of Rule's Economic and Fiscal Impact on Specific Businesses, Business Sectors, Public Utility Rate Payers, Local Governmental Units and the State's Economy as a Whole (Include Implementation and Compliance Costs Expected to be Incurred)

There is no economic and fiscal impact on small business, business sectors, public utility rate payers, local governmental units and the state's economy as a whole. The rule change addresses the need to incorporate domestic partnership language into the existing QDRO rule and to tighten up the rule to ensure federal tax compliance.

Benefits of Implementing the Rule and Alternative(s) to Implementing the Rule

The rule language more accurately reflects tax requirements under IRC s. 415 (b) and addresses the need for domestic partnership language. The agency does not see alternatives to achieving the policy goal of the rule amendments.

Long Range Implications of Implementing the Rule

There are no long range economic or fiscal impacts of the rule.

Compare With Approaches Being Used by Federal Government

The proposed rule amendments are required to maintain compliance with federal tax requirements under 415 (b), annual benefit limits for defined benefit pension plans. Therefore the goal of the rule amendment is to more accurately reflect current legal requirements under the federal government.

Compare With Approaches Being Used by Neighboring States (Illinois, Iowa, Michigan and Minnesota)

Illinois – The State of Illinois does not have domestic partnerships, and the state’s civil unions are not given pension rights. The State Retirement System of Illinois (SRS) does not include domestic partnership or civil union language in its QDRO rule. SRS also does not have a rule in place for multiple QDROs received out of sequence, nor does it have a rule addressing compliance with S. 415 (b) of the Internal Revenue Code regarding the aggregate benefits paid to participant and alternate payee.

Iowa – Iowa allows same-sex marriage, but uses the term “administrable domestic relations order” or “ADRO” to govern a domestic relations order that divides the marital property of same gender spouses. The Iowa Public Employee Retirement System (IPERS) has incorporated the ADRO into its domestic relations order rule, primarily as an addition to existing language. IPERS does not have a rule in place for multiple QDROs (or ADROs) received out of sequence, nor does it have a rule addressing compliance with S. 415 (b) of the Internal Revenue Code regarding the aggregate benefits paid to participant and alternate payee.

Michigan – Michigan’s Constitution bans same-sex marriage and other kinds of same-sex unions. Domestic partnership language is not within the State Employees Retirement System of Michigan regulations on QDROs. The State Employees Retirement System of Michigan also does not have a rule in place for multiple QDROs received out of sequence, nor does it have a rule addressing compliance with S. 415 (b) of the Internal Revenue Code regarding the aggregate benefits paid to participant and alternate payee.

Minnesota – Minnesota does not provide for domestic partnerships, and the Minnesota State Retirement System (MSRS) does not include language for them in its QDRO rule. MSRS also does not have a rule in place for multiple QDROs received out of sequence, nor does it have a rule addressing compliance with S. 415 (b) of the Internal Revenue Code regarding the aggregate benefits paid to participant and alternate payee.